The Agricultural Produce Price Fixation Board Bill, 2022
(Bill No. 279 of 2022)

Executive Summary

The Agricultural Produce Price Fixation Board Bill, 2022, proposes the creation of an autonomous statutory body responsible for fixing remunerative support prices for agricultural produce, including fruits and vegetables, across India. This bill seeks to protect farmers from post-harvest price crashes and ensure fair compensation based on actual production costs. Farmers frequently receive prices below the cost of production due to market volatility, particularly during post-harvest periods. Existing MSP mechanisms fail to guarantee minimum income or cover actual farming costs, leading to indebtedness and distress.

Key Provisions

- ❖ Establishment of the Agricultural Produce Price Fixation Board and zonal offices.
- ❖ Statutory obligation to fix remunerative prices before each sowing season.
- ❖ Government duty to procure produce at fixed prices and intervene in cases of market failure.
- ❖ Creation of an appeals mechanism for farmers dissatisfied with price fixation.

This bill has strong potential to secure farmer incomes but requires alignment with existing procurement frameworks and mechanisms to ensure enforcement.

Background and Context

Current Situation:

- ➢ The MSP mechanism exists under the Commission on Agricultural Costs and Prices (CACP), but it includes parameters that can dilute price fairness (e.g., global trends, consumer interests).
- ➢ Many crops are not covered under MSP, and government procurement is limited to selected states and commodities.
- ➢ Sharp post-harvest price drops cause farmers to sell below cost or leave produce unsold.

Previous Legislative Attempts:

- ➢ No existing statutory authority ensures farmer-centric price fixation.
- ➢ The MSP regime lacks a legal guarantee or universal application.

Key Stakeholders

- ✓ Farmers & agricultural labourers: Primary beneficiaries.
- ✓ Government agencies (FCI, NAFED, etc.): Key implementers of procurement.
- ✓ Consumers: Indirectly affected by price stabilization and food inflation.
- ✓ Private traders & mandis: May face regulation and oversight.

Current Relevance

- ➢ Farmer protests (2020–2021) revived demands for guaranteed MSP.
- ➢ Rising production costs and climate-related losses have worsened rural distress.

Key Sections

- Under Section 4, the Board shall fix remunerative prices annually and seasonally and allows different prices are allowed for different zones and products.
- Under Section 5, Zonal offices to recommend prices based on comprehensive input costs (labour, capital, land, insurance, household expenditure, etc.).
- Section 6 mandates government procurement if farmers fail to sell at remunerative prices and allows the Government to intervene during price crashes.
- Section 7 allows the farmers to appeal price decisions within 30 days.

Critical Definitions

1. Agricultural produce: Includes food grains, pulses, fruits, vegetables, and medicinal crops.
2. Remunerative support price: A legally fixed price meant to ensure profit over comprehensive production costs.

Analysis of Impacts

- ❖ Economic: Positive: Stabilizes farmer income; increases rural purchasing power; reduces suicides and debt burden. Challenges: May require a large fiscal outlay and procurement infrastructure upgrades.
- ❖ Social: Equity: Supports small and marginal farmers. Food security: Improved farmer well-being may indirectly benefit national food systems.

- Operational: Implementation: Requires coordination among central/state agencies and digitized procurement systems. Enforcement: Needs monitoring mechanisms to ensure private sector compliance and timely government intervention.

Arguments For and Against

For:

1. Farmer-Centric Pricing: Reflects actual production costs and the right to livelihood.
2. Prevents Exploitation: Shields against price crashes and market manipulation.
3. Decentralized Input: Zonal recommendations ensure regional relevance.

Against:

1. Fiscal Strain: High recurring costs and risk of inflated procurement bills.
2. Implementation Burden: Difficult to enforce uniformly across diverse agricultural contexts.
3. Market Distortion: May discourage private trade and induce overproduction of certain crops.

Fiscal Implications

- Estimated costs of implementation and enforcement,
  - *Recurring Cost* – ~₹2,000 crore annually for procurement operations, staffing, and administration.
  - *Non-Recurring Cost* – ~₹1,000 crore for setting up the Board, offices, media campaigns, and initial infrastructure.
- Potential revenue changes: Potential savings if distress sales and loan waivers are reduced.
- Long-term economic considerations: May become sustainable if linked with agricultural export strategies or insurance schemes.

Conclusion

The Bill provides a much-needed framework for farmer income security through institutionalized price guarantees. It builds upon the shortcomings of the current MSP system with a decentralized, data-driven, and participatory mechanism.

Recommendations

1. Address the overlapping issues with CACP and ensure logistical feasibility of procurement.
2. Amend to integrate with existing MSP/CACP systems.
3. Clarify operational model: centralized vs state procurement roles.
4. Pilot the model in key states before national rollout.
5. Establish grievance redressal and audit systems for accountability.

Appendix

Ariff, A. M. (2022). *The Agricultural Produce Price Fixation Board Bill, 2022 (Bill No. 279 of 2022)*. Lok Sabha. https://loksabha.nic.in

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